

However, it will continue to maintain closer relations  
 with the West than with the Soviet Bloc. This will  
 be offset somewhat by gestures of ~~friendship~~  
 toward the Soviet Bloc such as allowing its  
 citizens & govt officials to travel to and attend  
 Soviet sponsored meetings in the Soviet Bloc.  
 While a stable and effective govt has not yet  
 been achieved nevertheless there is little

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likelihood that existing insurgent groups  
 will overthrow the present govt. There is hope  
 that following elections in 1953 the situation  
 in Indonesia will gradually improve.

SECRET

8.

Nationalist China

1. Nationalist Chinese attitudes during the period of this estimate will unquestionably remain pro-Western, and will be virtually uninfluenced by Soviet Bloc courses of action within the range of those assumed. The Chinese Nationalists will generally support any measures of an anti-Communist nature.

2. The Chinese Nationalists will certainly maintain their armed forces and build them up to the limitations of manpower and equipment. Their attitude on the employment of these forces, however, is problematical. There have been some indications of a growing belief that return to the mainland may be a long way off and of a decline in the attitude that return to the mainland should be pressed even if it means World War III. Among these indications are the increased attention paid to internal reforms and economic projects of a long-term character, and in the external field increased efforts to attract the loyalty of overseas Chinese groups in areas of Asia where they could not assist a short-term return to the mainland.

3. On the other hand, it is possible that the minimizing of the possibility of World War III may be for tactical reasons only, and as time passes, the Chinese Nationalist sense of urgency may be increasingly affected by the obsolescence of

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*offsetting influences, however, such as O/S Chi's not too happy over failure of U.S. to broaden base of govt, & fact that Chiang, Ching-kuo seems increasingly to be the main power.*

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